

# THE INFLUENCING FACTORS OF PERSONAL TAX COMPLIANCE ON REPORTING ANNUAL INCOME TAX RETURN

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## Abstract

*Taxpayer reporting compliance has been a classic problem in every nation. Therefore, the taxpayer's behavior needs to be well understood, so as to create a good synergy between the government and the public. A good cooperation between government and citizen on this matter will accelerate the development of the country. This study was conducted to determine the awareness level of taxpayers, perceived tax return filling process, perceived service quality, perceived form and assistance and perceived sanctions, and examined the effect of those variables on tax compliance on the delivery of Annual Income Tax Return. Questionnaires we used to collect data from the taxpayer as a respondent. Questionnaires filled by interview face to face to minimize the possibility of biased answers. The number of respondents was 60 Indonesia citizens in West Java Province, active taxpayers, employed and have a regular income taxable. Data analysis was using partial least square. The study period is in the month of March 2016. The results show that tax compliance affected by awareness level of taxpayers, perceived service quality and perceived comfort of facilities. As for the perceived tax return filling process and sanctions does not significantly influence taxpayer compliance on reporting annual income tax return.*

**Keywords:** *taxpayer, annual income tax return, compliance, behavior, perceived service.*

## INTRODUCTION

The level of tax compliance indicated by Annual Tax Reporting/SPT (*Surat Pemberitahuan Tahunan*) delivery (Sudirman, 2012). SPT is a letter by the taxpayer which used to report accounting and/or tax payments, property and obligations in accordance with the provisions of legislation. There are several things that play a role in the delivery of SPT Annual tax compliance, the awareness level of taxpayers, perceived tax return filling process, perceived service quality, perceived comfort of facilities and perceived sanctions

Awareness is a state in which a person understands and able to do something. Thus, awareness of the taxpayer is the ability in order to perform its obli-

gations voluntarily without any coercion or feeling forced. Awareness of the taxpayer in the SPT is needed to improve tax compliance, although often there are constraints in the implementation of tax obligations.

In the filling process of Annual Tax Return (SPT) form which is currently using the self-assessment system, the taxpayer given credence to calculate the amount of income tax payable and report to the nearest tax office. SPT form filling in this case required to be easy as perceived, which is expected to be well understandable, has a complete instructions available in both paper form as well as electronic-SPT (e-SPT).

Service in this case is the process of assisting taxpayers who need assistance ([www.kemenkeu.go.id](http://www.kemenkeu.go.id)). Services pro-

vided to taxpayers ought to make taxpayers find comfortable and safe, as well as services in accordance with the values of the Finance Ministry to provide services that meet the satisfaction of stakeholders committed wholeheartedly, transparent, fast, accurate, and safe. Therefore, Convenience services provided would make the taxpayer has the desire to meet its obligations on a regular basis.

A number of facilities required by taxpayers to meet their obligations. The availability of such facilities would cause taxpayers find it easy in fulfilling their obligations. With the convenience provided to the taxpayer, the taxpayer would not have felt lazy or reluctant to perform their obligations on reporting SPT.

Indirectly a taxpayer who is negligent in fulfilling its obligations will harm others, therefore, the government issued regulations on taxpayer negligence. The government regulations were expected to encourage the taxpayer no longer negligence against their tax liability. Possible fines or penalties in the form of taxes could be an effort to increase awareness and compliance of tax an individual taxpayer in fulfilling the obligation to submit tax returns. Based on the explanation, it is necessary to know whether the awareness level of taxpayers, perceived tax return filling process, perceived service quality, perceived form and assistance and perceived sanctions affects tax compliance in the submission of annual income tax returns? Which is the most dominant factor affecting tax compliance in the submission of annual income tax returns.

## RESEARCH METHOD

In accordance with the purpose of this research, the research subject chosen

was an individual taxpayer, from the population that has a wide range of professions, such as teachers, public servants and private employees, entrepreneurs, or other professions who resides in West Java. The hypotheses were:

- H1 = awareness level affect tax compliance
- H2 = perceived tax return filling process affect tax compliance
- H3 = perceived of service quality affect tax compliance
- H4 = perceived form and assistance affecting tax compliance
- H5 = perceived sanction affect tax compliance

Data were collected using a questionnaire, the respondent were the individuals taxpayer. Questionnaires filled by interview face to face to the respondent to minimize the possibility of biased data. The number of respondents were 60 people active taxpayers, working and having taxable income. Partial least square used as data analysis tool.

Likert scale with a score of 1 to 5 was used to measure the perception of respondents. Before analyzed using partial least squares, data obtained need to be tested with the classical assumption. Thus, normality test, autocorrelation, heterocedasticity and multicollinearity were performed. Classic assumption test results proves the data has normal distribution and there are no multicollinearity and no autocorrelation.

## DESCRIPTIVE ANALYSIS

The respondent responses toward the questions, in order to explain the affecting factors of individual taxpayers on reporting the annual tax return, shown in table 1. to table 6.

Table 1. Awareness (X1)

Statement	1		2		3		4		5	
	F	%	F	%	F	%	F	%	F	%
1.	-	-	1	1,7	14	23,3	38	63,3	7	11,7
2.	-	-	3	5	11	18,3	35	58,4	11	18,3
3.	-	-	3	5	15	25	32	53,3	10	16,7
4.	-	-	4	6,7	9	15	45	75	2	3,3
5.	-	-	2	3,3	12	20	35	58,4	11	18,3

Source: research data (analyzed)

Table 2. Perceived Filling Process (X2)

Statement	1		2		3		4		5	
	F	%	F	%	F	%	F	%	F	%
1.	-	-	6	10	4	6,7	40	66,6	10	16,7
2.	-	-	5	8,3	3	5	40	66,6	12	20
3.	-	-	-	-	5	8,3	45	75	10	16,7
4.	-	-	3	5	7	11,7	41	68,3	9	15
5.	-	-	9	15	2	3,3	34	56,7	15	25

Source: research data (analyzed)

Based on Table 1, the first statement regarding SPT timely reporting of respondents who agree as much as 38 respondents (63.3%), which means that most of the respondents report their tax obligations in a timely manner. The second question, regarding the payment of taxes in accordance with a nominal stated in SPT, respondents who agree as much as 35 respondents (58.4%), thus, that most of the respondents paid the taxes in accordance with a nominal stated in the SPT. The third statement regarding the tax obligations on time, without the influence of others, 32 respondents (53.3%) agreed, thus, the respondent taxpayers are aware and no influence from other people's tax obligations, on reporting and payment as well. The fourth statement regarding the fear of sanctions agreed by 45 respondents (75%), means that the majority of respondents fear of the sanctions if they neglect the tax obligations. The fifth statement regarding participation on the country growth, dutifully report and pay taxes, as much as 35 respondents (58.4%) agreed, that mean the taxpayers oblige, because taxpayers interested to participate on country .

Based on Table 2, the first statement regarding the information and ex-

planations from the tax officer in the SPT filling process, as much as 40 respondents (66.6%) agreed, which means most respondents *obtain information and explanations from the tax officer* in the tax return form filling process. The second statement regarding the easiness to understand of the tax return filling process as much as 40 respondents (66.6%) agreed, which means that most respondents understand how to fill out the tax return form.

The third statement on the form provided if it is simple, as much as 45 respondents (75%) agreed, which means that most respondents find a *simple form provided*. The fourth statement regarding if the *instructions were contained in the tax return form*, which answered agree as much as 41 respondents (68.3%), which means the majority of respondents get a hint in the filling process of their annual tax return. The fifth statement regarding if is it *easier to report their annual tax return via e-SPT* answered agree as much as 34 respondents (56.7%), means that the majority of respondents find easier to report their annual tax return online, as opposed to coming to the nearest tax services office.



Table 3. Perceived Service Quality (X3)

Statement	1		2		3		4		5	
	F	%	F	%	F	%	F	%	F	%
1.	-	-	-	-	3	5	42	70	10	25
2.	-	-	7	11,7	6	10	34	56,6	13	21,6
3.	-	-	-	-	-	-	32	53,3	28	46,7
4.	-	-	1	1,67	-	-	32	53,3	27	45
5.	-	-	-	-	7	11,7	33	55	20	33,3

Source: research data (analyzed)

Table 4. Perceived Form and Assistance (X4)

Statement	1		2		3		4		5	
	F	%	F	%	F	%	F	%	F	%
1.	-	-	2	3,3	2	3,3	32	53,3	24	40
2.	-	-	5	8,3	14	23,3	28	46,7	13	21,6
3.	-	-	8	13,3	2	3,3	34	56,7	16	26,7
4.	-	-	5	8,3	-	-	39	65	16	26,7
5.	-	-	-	-	6	10	38	63,3	16	26,7

Source: research data (analyzed)

According to the Table 3, the first statement about the tax officer *responsiveness* in helping on filling the form, as much as 42 respondents (70%) agree with that statement, which means that the majority of respondents find the officer has been responsiveness in helping form filling. The second statement regarding the delivery of tax officer to *assist* were conducted with *polite and very nice*, respondents agree as much as 34 respondents (56.6%), which means that the majority of respondents felt the officer had polite and very well in serving the taxpayer. The third statement regarding whether the the tax officer are already using and *mastering technologies* that are already available, as many as 32 respondents (53.3%) agreed, which means that most respondents find that the tax officer have mastered the technology that has been provided. The fourth statement as to whether the officers gave *freedom to calculate and fill in their annual tax return*, a total of 32 respondents (53.3%) agreed, so that the majority of respondents felt the tax officer provide freedom for taxpayers to calculate and fill out their annual tax return. The fifth statement regarding whether the tax officer provide

socialization, thus making the respondents were aware of the importance of compliance of tax, a total of 33 respondents (55%) agreed, which means that most taxpayers find resuscitated by the tax officer by providing information such as the socialization of the tax regulation and process.

Based on Table 4, the first statement regarding whether the tax return form provided for the taxpayer, as many as 32 respondents (53.3%) agreed, which means that most of the respondents felt facilitate by the form availability. The second statement is whether the officers assisting in filling out tax return, as many as 28 respondents (46.7%) agreed, which means that less than half of respondents were assisted by the tax officer at the time of filling out the form tax return. The third statement regarding whether the queues at the tax office are well organized, as many as 34 respondents (56.7%) agreed, which means that the majority of respondents felt that the queues are managed well. The fourth statement as to whether the available counters corresponding to the number and type of service is sufficient, as many as 39 respondents (65%) agreed, which means

that the majority of respondents felt the facility counter in accordance with the needs of taxpayers. The fifth statement about whether socialization and counseling are held are in accordance with the problems faced by the taxpayer, 38 respondents (63.3%) stated that accordingly, which means that the majority of respondents felt it was the presence of facilities provided by the tax office when the taxpayer has a problem in reporting the tax, in the form of socialization and counseling.

Based on Table 5, the first statement as to whether the taxpayer is given sanction in accordance with the rules and regulations, 43 respondents (71.6%) agreed, which means that the majority of respondents felt that the sanction given to the taxpayer is in conformity with the rules and regulations applicable. The second statement on whether penalties provided tax may increase tax compliance, 47 respondents (78.3%) agreed, which means that the majority of respondents felt the sanction given to the taxpayers could improve taxpayer com-

pliance in carrying out its obligations. The third statement as to whether the more severe sanctions will be dutifully pay taxes, 45 respondents (75%) agreed, which means that the majority of respondents felt with increasing severity of the sanction given to the taxpayer, then the taxpayer will be more obedient in carrying out his tax liability. The fourth statement about whether respondents agreed with the penalties imposed in the event of late submission of tax returns, 46 respondents (76.7%) agreed, which means that most of the respondents were able to fines that will be granted to taxpayers who are late in the SPT. The fifth statement regarding whether the tax penalties (both fines or criminal) makes taxpayers deterrent to negligence taxes (late payment or late report), 46 respondents (76.7%) agreed, which means that the majority of respondents felt the sanction given to compulsory taxes, be it fines or criminal will make taxpayers wary of negligence taxes as late reports and late in paying taxes.

Table 5. Perceived Sanction (X5)

Statement	1		2		3		4		5	
	F	%	F	%	F	%	F	%	F	%
1.	-	-	-	-	3	5	43	71,6	14	23,3
2.	-	-	-	-	8	13,3	47	78,3	5	8,3
3.	-	-	-	-	5	8,3	45	75	10	16,7
4.	-	-	-	-	5	8,4	46	76,7	9	15
5.	-	-	-	-	6	10	46	76,7	9	15

Source: research data (analyzed)

Table 6. Tax Compliance (Y)

Statement	1		2		3		4		5	
	F	%	F	%	F	%	F	%	F	%
1.	-	-	-	-	9	15	43	71,6	8	13,3
2.	-	-	4	6,7	-	-	35	58,4	21	35
3.	-	-	-	-	6	10	35	58,4	19	31,6
4.	-	-	-	-	2	3,3	45	75	13	21,6
5.	-	-	4	6,7	3	5	35	58,4	18	30

Source: research data (analyzed)

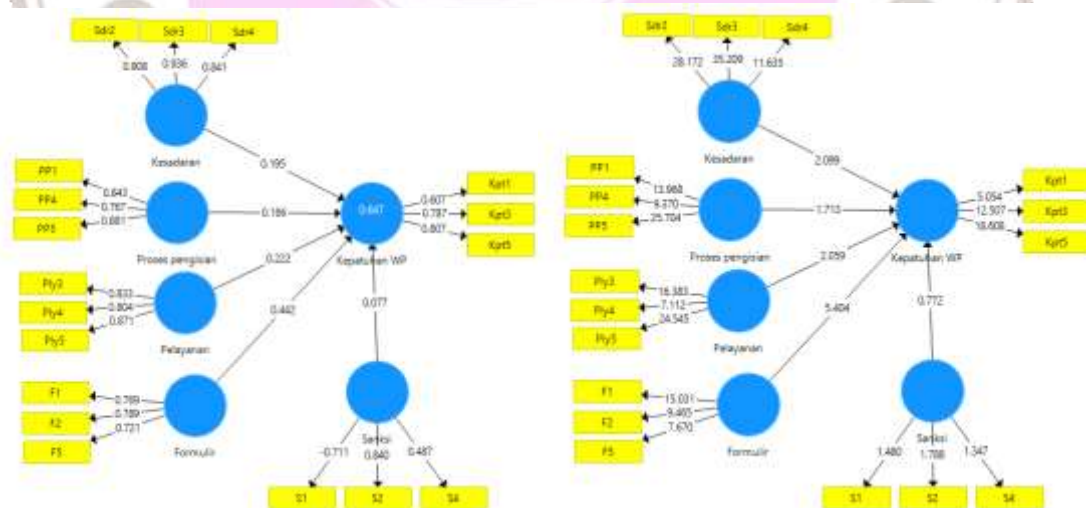
Based on Table 6, the first statement about the willingness to voluntarily report and pay taxes, as many as 43 respondents (71.6%) agreed, which means that most of the respondents were willing to voluntarily report and pay taxes. The second statement about whether respondents reporting and accounts for the calculation of the amount of taxes are complete and correct, as many as 35 respondents (58.4%) agreed, means that most respondents are abiding taxpayers. The third statement regarding whether the tax reported reasons for not willing to be sanctioned, 35 respondents (58.4%) agreed, it demonstrates compliance undertaken by the respondents because they do not want any sanction in case of late doing his tax liability. The fourth statement regarding whether the respondent did not pay the arrears in taxes, as many as 45 respondents (75%) stated they were not too late to pay the tax and submit reports, which means that most

respondents did arrears in paying their tax obligations. The fifth statement about whether convenience and good service motivates taxpayers to submit tax returns, as many as 35 respondents (58.4%) agreed, shows that the majority of respondents feel motivated to pay and report taxes for their convenience and services obtained in the tax office.

## ANALYSIS OF AWARENESS, PROCESS, FORM AND ASSISTANCE, SERVICE QUALITY AND SANCTION INFLUENCE ON TAX COMPLIANCE

### Hypothesis testing

Hypothesis testing done by using Partial Least Square produces model fit as shown in Figure 1. After the path analysis, obtained indicators that have compatibility with the model as shown in Figure 1. In each of the latent variable has three valid indicators.



**Note:** Kesadaran : Awareness(X1) ; Proses Pengisian: Perceived Filling Process (X2); Pelayanan: Service Quality (X3); Formulir: Perceived Form and Assistance (X4); Sanksi: Perceived Sanction (X4); Kepatuhan WP: Taxpayer Compliance (Y)

Figure 1. Compliance of Taxpayer Model

Source: research data (analyzed)



Table 7. Hypothesis Test Result

Hypothesis	Coefficient	T-value	Decision
Awareness → Compliance	0.195	2.099	Accepted
Process → Compliance	0.186	1.713	Rejected
Service Quality → Compliance	0.222	2.058	Accepted
Form and Assistance → Compliance	0.442	5.404	Accepted
Sanction → Compliance	0.077	0.772	Rejected

Source: research data (analyzed)

Acceptance and rejection of the hypothesis presented in Table 7. In the table 7 shows that tax compliance is significantly affected by awareness, service quality and form. While the filling process of SPT and sanctions do not affect tax compliance significantly.

The filling process of annual tax return (SPT) is well understood by taxpayers, as evidenced in the descriptive analysis that the majority of respondents (over 60%) state can easily fill up the SPT. Either with the instructions provided in written, as well as instructions of the tax officer. Even though the process is easy does not necessarily has significant influence toward the tax compliance to report the annual tax return. It is possible, because the tax compliance issues are more complex than the ease of the filling process. The results of the interview mentioned that most respondents have a good education and knowledge, so that the easiness of filling process is a natural thing. Motivation of compliance thereby not affected by an easy process. The results of this study different with the research results by Doli and Rusydi (2009) who found that the filling process of SPT affect tax compliance. The result difference can be possible because of research period differences, in which the e-SPT policy has not been applied, and also, differences in respondents and territory can lead to differences in perception of respondents and thus on research results.

Service quality affects tax compliance, as seen on t-values 2.058, the effect was significant, with a coefficient of

0.222. It can be concluded that the respondents consider the service quality of tax offices and its officers. Good service will motivate taxpayers in meeting their tax obligations. Therefore, improvement of service is something that should always be considered by the Directorate General of taxation. The results of descriptive studies indicate that the respondents have a positive perception of the tax office service. The results are consistent with the research results conducted by Doli and Rusydi (2009), as well as Pratiwi and Setiawan (2014).

Perceived convenience of *tax return form* affect tax compliance significantly. Completeness of information, assistance and user friendly forms is important to the respondent. Tax Return filling process that has been socialized well-proven support of conveniences desired by the respondent. A form that is easily filled and informative motivate respondents to comply with reporting rules.

T-value of 0.772 ( $<1.96$ ) showed that the fourth hypothesis is rejected thereby sanctions do not affect significantly on tax compliance. Most of the respondents (over 70%) believe that the delay or failure to meet tax obligation shall be fined or penalized. More than 70% of respondents also stated that they were obedient because they do not want to be sanctioned. Nevertheless sanctions do not affect tax compliance, this can be explained because the respondent are the obedient taxpayer, never sanctioned and had a similar opinion regarding the sanctions. This study differs from research results by Istanto (2010) and Pratiwi and

Setiawan (2014), which were states that the sanctions affect the tax compliance. The difference in research period and respondent could be the cause.

The fifth hypothesis is accepted, the taxpayer awareness significantly affect tax compliance, as indicated by the t-value of 2,099 ( $> 1.96$ ) and coefficient of 0.195, the perceived awareness on how important of paying and reporting annual tax return, affecting tax compliance. Taxpayers have realized that they do not want to be sanctioned. The taxpayer also realized that paying taxes according to the amount of income and the right time is very important. Education and good knowledge of the respondent, has created awareness on the importance of taxes for development of the country. More than 60% of respondents aware of the importance of paying timely and appropriate nominal, while the awareness on fear of sanctions reaches 77% of respondents. The results of this study are also consistent with research Doli and Rusydi (2009), as well as Pratiwi and Setiawan (2014).

The most powerful influence, present in a user friendly form and assistance. Perceived easiness of filling out Tax Return forms and its availability on hardcopy and e-tax return form as well as the officers assistance is a major respondent consideration to comply with tax laws. Why is that? Respondents are workers with tax payment obligations that have been facilitated by the employer or the offices where they work. Thus the obligation they have to do themselves is to fill out of tax return form every year. Then the tax return form, which has to be user friendly becomes an important factor.

## CONCLUSION

In accordance with the discussion that has been done in the previous section, it can be concluded: (1) awa-

reness of taxpayers, service quality, as well as forms and assistance affects tax compliance. Tax Return filling process and sanctions do not affect the tax compliance. (2) The strongest effect found on the perceived form and assistance. Therefore, the factors influencing the annual tax return compliance are the perceived awareness, perceived service quality, and perceived form and assistance. In this case, there is a study limitation, as for the respondent were all are employee and well educated, the result may be different in the other groups of respondent with different characteristic. Nevertheless, in general it can be concluded that good stewardship of the government and tax officers will provide a great incentive on the tax compliance of citizens.

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